Advancement in neuroscience tell us how billions of neurons act together to form a mind. Millions of such minds together form a market. Mind, acts irrationally as well as rationally to drive markets crazy. Thus, prices irrationally rotate around values. This paper builds a rational view around irrational behavior. It discusses the process of modeling irrational price trends, rational valuation approaches, and limiting risks along with examples. Effort is in demonstrating the equity analysis strategy that keeps investor interest always on the top.

Quest to build best possible equity analysis model is a journey more than the destination. Our effort in this space is towards creating a milestone.

Mind of Market

Number of neuron connections in 1cm³ of brain matches the stars in Milky Way Galaxy. As brains are made up of billions of neurons, the markets are made up of million brains. As the thoughts in our mind compete with each other before evolving as a single action, so the people compete with each other in markets for fixing price. As the blood flows in body, so the money in market. Market is nothing but a bigger mind with millions of human brains connected. Few are powerful and few are weak. Few have built brilliant network and few are isolated. It is wonderful to know, how the individual minds together build a system that acts as a larger mind. Communities, Organisations, Markets, Countries are just few examples of this system.

Irrational Markets
Being part of financial market, we know that the prices in market move irrationally indicating markets are irrational. Are the markets really irrational? Or is it irrational minds behind market? Who sets the price? It is more of irrational mind than irrational market. The greed and fear, two key components of irrationality, drives it more than anything else. Market reflects this collective irrationality.

But opposite to the popular view, we think, this irrationality is natural and beautiful. Without being irrational, we would not have been so advanced today. Look at the evolution of humans. If monkey's would not have been greedy of being powerful than its competitor, its biology would not have been changed. If we were not fearful, we would not have build fighter jets and able to fly at the speed of 2000 Km/h. Irrationality is essential element in evolution process.

Think oppositely for a moment, imagine the rational market. In these markets the prices exactly reflect the value of asset. No more or no less. Price fluctuation is very low, as it reflects nothing but the value. Value is based on few published and known parameters to all. Every organisation is fair in showing their account and methodology of calculation. There is nothing that is uncertain in the market, everything is certain. There is no competition either; everything works on fair, fixed and at known value. Will you be interested in such a market? No fun, no competition, no challenges, no breakthrough gains... Isn't it? It's better the way it is. Markets are the results of natural evolution. Irrationality is part of our system, let us accept and respect it.

Rational minds

The frontal lobe, most recent evolutionary addition to brain, brings unique strength to humans with its reasoning, problem solving, judgement and impulse control capabilities. It's powerful but unfortunately it is slow. Thinking, Fast and Slow is a beautiful work in this space. The impulsive part overrides the cognitive parts quite often. That's how we feel irrationality before observing the rationality. That's why, Anger comes before understanding, Love happens without knowing and Shopping before planning. Markets are not different either. Irrationality comes before rationality. Prices hit rock bottom and starts moving up. Prices hit new peaks and starts falling down. First they move irrationally and then try to adjust for rationality. Neither rationality nor irrationality is forever, it takes cycles along with the drive of millions of brains.

Power of money

Without blood brain stops and without money, market stops. Millions of brains in market
transact with each other through the means of money. Losing money is bleeding. Once we lose, we are out. Managing money, managing risk is critical. Along with our brain, there are tens of thousands of other active brains in the market. For unknown reasons, things might go against us. It is important to protect ourselves against the vulnerable.

So, points worth noting down:

- Irrationality, with Fear and Greed, is mandatory for market's existence. Let us build *Rational view about Irrationality*
- Price is irrational, but Value is rational. *Prices rotate irrationally around Value.*
- *Losing Money in market is same as bleeding*

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